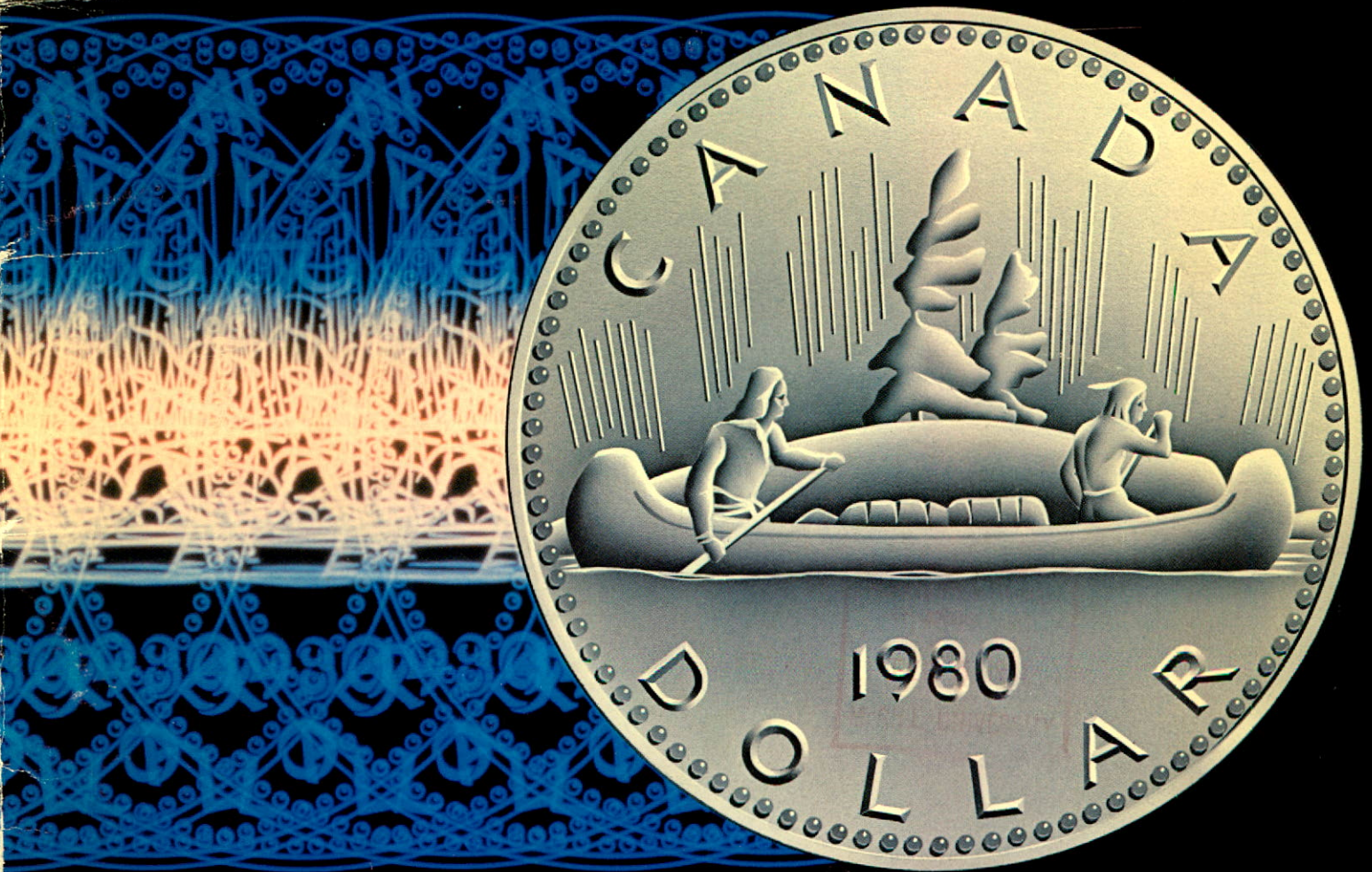




Continental Bank
moves into the Eighties
opening new
full-service branches
coast to coast.



The photograph for the inside cover pages was taken by satellite to show the west and east coasts of Canada.

CONTENTS

<i>Directors' Report to the Shareholders</i>	2
<i>The Continental Bank: A Progress Report</i>	
A Blueprint for the Next Five Years	5
Building a Branch Network	7
Introducing New Commercial Services	9
Preparing People	11
Talking to Customers/International Banking	13
<i>Commentary on Financial Operations</i>	
IAC Limited	14
Continental Bank of Canada	17
<i>Financial Statements – IAC Limited</i>	
Consolidated Statement of Earnings	18
Consolidated Statement of Retained Earnings	18
Consolidated Balance Sheet	19
Consolidated Statement of Changes in Financial Position	20
Notes to Consolidated Financial Statements	21
Consolidated Details of Secured Notes, Deposits, Debentures, and Capital Stock	24
Auditors' Report to the Shareholders	27
Ten Year Operating and Statistical Summary	28
<i>Financial Statements – Continental Bank of Canada</i>	
Statement of Assets and Liabilities	31
Statement of Revenue, Expenses and Undivided Profits	32
Statement of Accumulated Appropriations for Losses	32
Statement of Rest Account	32
Notes to Financial Statements	33
Auditors' Report to the Shareholder	33
<i>Directors and Officers</i>	34
<i>Corporate Information</i>	35

HIGHLIGHTS

<i>For the year ended October 31, 1980</i>	1980	1979
Total assets	\$3,512,076,000	\$3,682,005,000
Growth in assets	(\$169,929,000)	\$781,344,000
Gross income	\$369,281,000	\$308,900,000
Cost of borrowed money	\$302,184,000	\$236,961,000
Net interest income	\$67,097,000	\$71,939,000
General and administrative expenses	\$73,103,000	\$69,331,000
Earnings applicable to common shares	\$6,545,000	\$9,638,000
Dividends paid on common shares	\$5,439,000	\$17,653,000
Earnings per share	\$0.48	\$0.70
Dividends paid per share	\$0.40	\$1.30

NOTES:

1) Earnings reflect the effect of a change in accounting policy in respect of translation of foreign currencies (Note 3 to consolidated financial statements).

2) Comparative figures are for the twelve months ended October 31, 1979.



DIRECTORS' REPORT TO THE SHAREHOLDERS

This was the first complete year of operations since the Company changed its year-end to October 31 to match that of its subsidiary, Continental Bank of Canada. Earnings for the year were \$7,360,000, compared with a restated \$10,481,000 in the previous 12-month period. After dividends were paid on preferred shares, this represents earnings of 48¢ per common share. Of this, 27¢ per share results from a change in accounting policy regarding the valuation of foreign currency assets and liabilities. In the past, any fluctuation in the carrying value of foreign currency assets and liabilities was recorded in the balance sheet as an unrealized gain or loss. Only in the 12-month period in which they became current was the gain or loss reflected in earnings.

The practice of Canadian chartered banks is to recognize such fluctuations when reporting each year's earnings. Therefore, to be consistent with this practice, the Company changed its accounting policy so that these gains and losses are reflected in the annual earnings. For this purpose, foreign currency assets and liabilities were valued retroactively and earnings in the appropriate periods were restated accordingly.

This change in policy accounts for a gain of \$3.7 million, or 27¢ per common share

in 1980 and a loss of \$2.1 million, or 17¢ per common share, in 1979 from the translation of foreign currency assets and liabilities. Without the change, earnings for 1980 would have been 21¢ per common share, compared with 87¢ for 1979.

The new policy also resulted in writing off \$43.1 million in unrealized foreign exchange losses carried on the balance sheet at October 31, 1979. This caused a decline of \$21.5 million in retained earnings and \$21.6 million in deferred income taxes. The Company purchased forward exchange contracts to hedge its foreign currency risk against further fluctuations that would have affected future earnings.

Dividends totalling 40¢ a share were paid to shareholders in fiscal 1980. Earnings improved in the last half of the year mainly because interest rates declined from the record levels reached in the second quarter. The Company continues to build a sound foundation for a return to a more satisfactory earnings performance.

Sudden and erratic changes in financial markets, volatile interest rates, and unsettled economic conditions again confirm the need for a strong capital base, high quality assets and well managed liquidity. Your Company rates well in each:

At 15:1 the ratio of assets to shareholder equity is the lowest in Canadian banking, a notable advantage for future expansion.

Assets are sound; credit losses as a percentage of average receivables were .30%. This compares well with the .38% average of the past 10 years.

Liquidity, the ability to generate substantial funds on short notice, is evident in the high level (22%) of liquid assets to total deposits.

Another positive factor is the rapid diversification in the Company's sources of funds through branches and interbank deposits. By the end of October, branch deposits were approximately \$640 million, representing 23% of the Company's total funding requirements. Such deposits lower the average cost of funds and widen the Bank's deposit base.

In some other respects, it was a difficult year. In the first half, the cost of money continued to increase dramatically, with the prime bank rate peaking at 17½%. The traditional difference between the average cost of short-term funds and the prime rate was narrower than ever before. Rising rates and the reluctance of investors to commit to anything other than very short-term investments made it difficult to profitably fund consumer loans and mortgages. Vigorous competition and growing customer resistance to increased rates narrowed the spread between borrowing and lending rates. Although gross revenue for the year increased from \$309 million to a new high of \$369 million, the cost of money grew from \$237 million to \$302 million.



The Company therefore deliberately slowed its rate of growth in fixed rate loans while developing more business at floating rates. Assets at October 31, 1980 were \$3.5 billion, a decrease of approximately \$170 million from the previous year. Almost all of this decline came about by substituting interest-bearing loans for receivables with precomputed charges. This meant a significant drop in the unearned interest charges included in assets. This restructuring of assets, along with a successful \$50 million issue of Continental Bank Certificates of Deposit in June, reduced the excess of interest-sensitive liabilities over assets in 1980 from \$500 million to \$343 million. Further reductions will continue in 1981.

Twenty full-service bank branches are now in operation across the country; eleven opened this year. Additional openings are expected to bring the total number of full-service branches to more than 40 by December 1981.

The Bank is building a presence in important markets across the country and the pattern for the future is established. The primary target continues to be the middle sized commercial customer, but the Bank also seeks business from individuals, corporations, governments and international customers.

It will take approximately two more years to establish branches in all key Canadian markets. The task is expensive, and

current operating margins allow little room for increasing costs. However, by consolidating resources into the most important markets, general and administrative expenses have been kept under tight control throughout this ambitious expansion. Such expenses were \$73.1 million in 1980, representing a smaller percentage of average assets than in the previous year.

When the Bank opened in June 1979, its new personal banking services were created by the latest advances in computer technology. These services, and the benefits they offer, have been well received. In October 1980, after almost three years of preparatory work, the Bank introduced a new system of computer-based banking for business customers. This Continental Commercial Banking System offers significant competitive advantages in prime commercial markets. It is already being offered in Southern Ontario and by mid-1981 will be available in all full-service branches.

New computer systems are also being developed to provide management with timely data and reports. In today's rapidly changing financial environment the Bank must be innovative, responsive, flexible and forward thinking. In this respect, the Directors would like to thank the staff who have committed themselves wholeheartedly and enthusiastically to achieving the goal of being "Bankers in Action." During the year, the Directors appointed Mr. N. A.

Gow, Secretary, and Mr. B. A. Johnson, Comptroller.

Looking ahead to 1981, the economic outlook is rather uncertain. If interest rates are on balance lower than in 1980, the Company expects to be able to achieve new asset growth and raise funds that are more closely matched to assets. Any significant rise in interest rates will make this more difficult. Nevertheless, plans for converting to full-service banking will proceed as scheduled. The coming year will be one more of intense activity as further progress is made in laying the foundation for a return to a more positive earnings trend.

On behalf of the Board

D. W. Maloney
Chairman

S. F. Melloy
President and Chief Executive Officer

January 8, 1981

Left: S. F. Melloy
Right: D. W. Maloney



THE CONTINENTAL BANK: A PROGRESS REPORT

The first full year of operations was a busy one. The initial test phase has ended and the Bank is aggressively establishing a presence in key markets in all regions of the country.

This section of the Annual Report gives an overview of the broad plans and progress to date, and a look at some of the larger projects that must be accomplished in the next five years. Clearly, these will be challenging and exciting times as the foundations are laid for a successful future.

A BLUEPRINT FOR THE NEXT FIVE YEARS

Long before Continental Bank opened on June 4, 1979, management had planned for IAC to convert to a chartered bank. Now, with the benefit of more than a year's experience in operating full-service branches, a new strategic plan has been prepared by Company officers to guide development over the next five years. This plan encompasses all areas of the Bank's operation.

The next five years will be a period of change and challenge for all Canadian banks. Following passage of the 1980 Bank Act, many foreign banks are expected to apply for charters to provide full banking services in this country. Domestic institutions, including credit unions and trust companies, have also declared their intent to widen their spectrum of banking activities. At the same time, technological changes will make it possible, and necessary, to provide new and better services.

The Bank has many strengths to build on in meeting these challenges: a strong equity capital base, skills in asset financing and leasing, expertise in the financing needs of many industries, the latest computer technology, and — because of its size — an important measure of flexibility. An initial lack of full banking skills is rapidly being overcome by comprehensive training programs and practical experience. Manage-

ment has therefore reaffirmed with considerable confidence the original mission of the Bank in its new strategic plan. Continental Bank will be primarily a commercial bank, developing the best services for those medium and smaller sized enterprises that make up the bulk of industry in Canada. It will also pursue business with other kinds of customers. An important goal is to lower the cost of money by attracting deposits from individuals, corporations, governments and international depositors.

To compete effectively in its chosen markets, the Bank must develop its own business style, one that is innovative, responsive and flexible. Corporate organization is therefore continuing with changes to make it more responsive to customers' requirements.

The aim is to move decision making as close to the customer as possible. In simple terms, key branches will be located, designed, structured and staffed for maximum efficiency in a full range of services. Small groups of branches will be clustered into districts under a resident representative of senior management. A strong head office will set policies and guidelines and handle major credit decisions; but each district and branch will have considerable autonomy, reducing the levels of management and minimizing bureaucracy. The slogan "Bankers in Action" is not an idle claim. It is the Bank's objective.



The West Coast has long accounted for a large part of the Company's asset portfolio. Currently, there is a high level of capital investment in British Columbia's forest products, mining, energy, construction and transportation industries.

The Company's 50 years of experience in industrial and commercial financing and leasing covers practically every primary and secondary industry. Customers include independent logging contractors, the container crane company on Vancouver Docks, and small canners in the Okanagan Valley.



The boom in Canada's Prairie Provinces has contributed significantly to the asset strength of Continental Bank. Alberta continues to be its leading region for new capital investment.

The resource and energy industries call for huge financing programs. Continental Bank has financed oil rigs in Alberta, drag lines in Saskatchewan, and grain storage facilities in Manitoba. The staggering capital cost of machinery for corporate farming augurs well for the Bank's activity in the farm equipment market. Transportation is another part of this booming economy in which the Company has played a leading role.





BUILDING A BRANCH NETWORK

The IAC branch network was created over many years to provide specialized financial services to particular groups of customers. Some of these branches are well suited for conversion to full-service banking, but others are not. The criteria for locating Continental Bank branches are different than they were for IAC.

Building a new branch network is an expensive and time consuming process. Location analysis is a strictly disciplined process, as it must be if the Bank is to effectively deliver the services set out in the strategic plan. Details that must be considered include:

Market Potential: defined in terms of population; 10-year population growth rates; personal incomes; retail sales; index of manufacturing activity; federal or provincial government presence and commitments.

Existing Business: analysis of growth trends and the potential of existing locations as bank branches; consideration of deposit generation as well as asset growth; proximity of the branch to main target markets of the Bank.

Suitability of Existing Premises: cost of constructing new premises; cost of major renovations; changes needed to accommodate deposits; existing lease arrangements and their effect on the profitability of a new location.

Geographic Factors. Cluster branches in each district to:

- allow conversion and training teams to work most effectively;
- enable communication networks to be used cost efficiently;
- focus on growth areas where paybacks are fastest;
- improve the productivity of marketing programs, staff training, supervision and district support programs.

After all of these details have been reviewed, a detailed payback analysis is completed on each potential site.

When the Bank opened on June 4, 1979, it had eight full-service branches in seven important markets: Halifax, Montreal, Toronto, Mississauga, Hamilton, Calgary, and Vancouver. Four of these branches were converted from IAC offices, four were newly built. While they were in full

operation as Bank branches, these locations also served as test and training centres for the first few months.

In 1980, new branches opened in other key markets:

St. John's
Quebec City
Sherbrooke
Montreal (two new branches)
Toronto (one new branch)
Ottawa
Brampton
London
Edmonton (two new branches)

This pattern of growth is expected to continue at a rapid pace for the next two years until the Bank is represented in all important markets across the country.

The task of conversion is not simple. It requires the time and talents of many specialists, and is a considerable drain on resources. Only those branches that have the prospect of being profitable in a short period of time can be converted. Marginal operations will be closed. Of the original eight full-service branches, all are now operating at a profit, or are rapidly approaching a break-even point.



Manufacturing has long been the heart of Ontario's growth and prosperity, and many of its small and medium sized manufacturers depend on Continental Bank for their financial services. Funded projects range from paper-making machinery in Thunder Bay to steel mills in Sault Ste. Marie, to data processing equipment in Toronto.

Ontario is also Canada's largest producer of cars and trucks, an industry the Company has dealt with for more than half a century. Services include credit lines to manufacturers, providing funds for dealer inventory, leasing and rental fleet financing, and loans to individual buyers.





INTRODUCING NEW COMMERCIAL SERVICES

Following the successful introduction of the Continental Personal Banking System in 1979, the Bank was ready by October 1980 to introduce its new Commercial Banking System in six full-service branches in Southern Ontario. This system, which took almost three years to develop, offers some dramatic advantages to commercial, corporate and institutional customers, the Bank's prime target market. Key features include:

1) New Banking Technology

The system takes full advantage of new computer technology and offers business clients a number of helpful innovations. One example: the monthly report to customers summarizes all banking activities — deposits, credit and savings — in one understandable statement. This kind of report is available only at the Continental Bank.

2) New Services

Advanced technology also made possible new services to manage the money of commercial customers on a daily basis. Traditional bank services, the 'operating line,' 'current account,' and 'commercial savings account' are now combined into one unique Business Management Account. At the end of every banking day each account is reviewed and funds are moved to ensure that client firms are making the maximum use of their money. The Business Management Account is linked to other new cash management services; some are based on the Bank's own coast-to-coast real-time computer network, others use the resources of outside specialists. This system is a major step forward in money management for medium sized and smaller businesses.

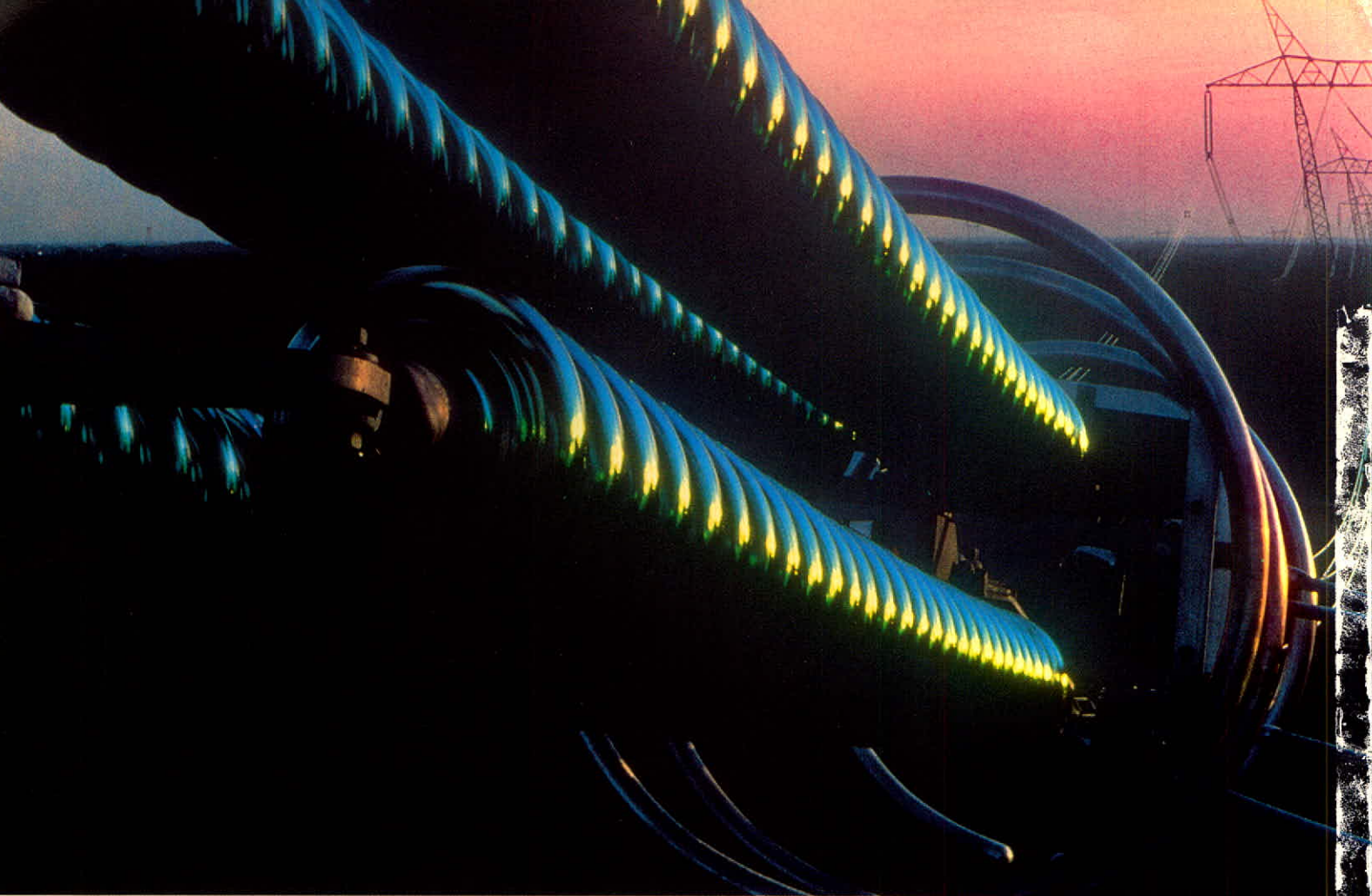
3) New Skills

Continental Bank has a history unique among banks in Canada. The experience of its people in such areas as leasing is

unmatched by any other chartered bank. The Commercial Banking System allows customers to benefit from this experience, which, supported by totally new services, is creating a distinctive style for the Bank.

The initial reaction of customers to the new Continental Commercial Banking System has been very encouraging. The system will be offered in all full-service branches across the country by mid-1981. By this time additional refinements to both the commercial and personal banking systems will be well advanced.

Looking further ahead, the Company is aware that Canadian banking is on the brink of unprecedented change as staggering advances are being made in communications technology. The Bank is committed to a substantial investment in this new technology to give it the competitive advantage in the future that such innovations will bring.

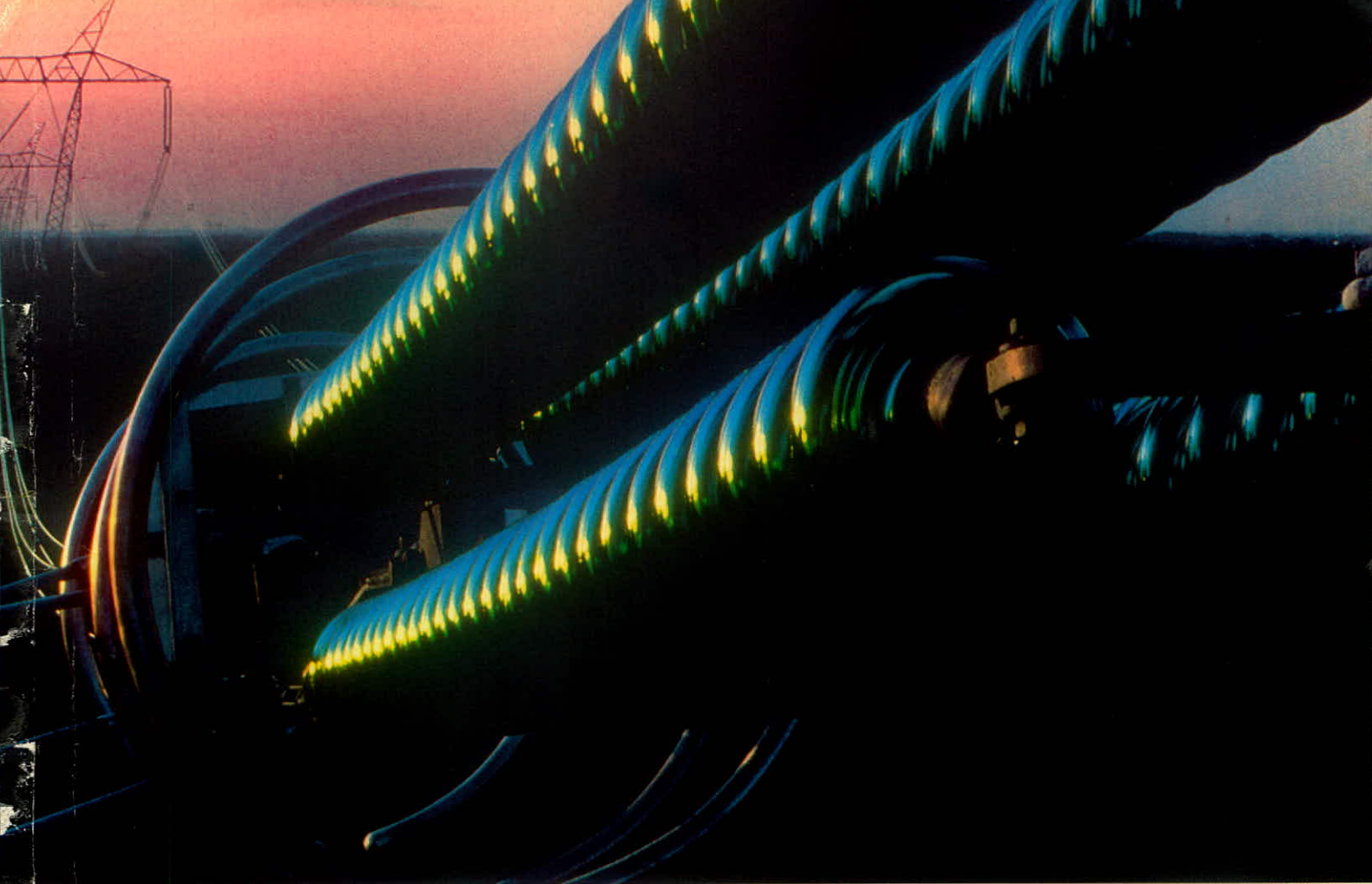


In recent years Quebec has become a dominant force in the production of electrical energy. On completion of the first stages of the huge James Bay hydro project, this province will be the largest exporter of electricity in the country.

At James Bay, funds from the Company financed heavy equipment to build the dams, housing for construction crews, and other machinery needed to complete the first stages of this enormous project.

From the energy of James Bay to the shipyards at Sorel to the grain handling depots in Montreal, the Bank remains heavily committed to financing a wide range of industry in Québec.





PREPARING PEOPLE

Training employees to become effective Continental Bankers will be the greatest task of the coming five years. Despite all the advances in technology, customers deal with people, not machines. How well they are treated face to face is the gauge by which our success will be measured.

Continental Bank branches are deliberately organized in a way that makes it possible to provide superior customer service.

The Branch Manager is a senior employee responsible for the development of business and the branch's overall growth, performance and profitability. This manager is expected to spend a good deal of time away from the office, calling on customers.

The Manager Commercial Banking is responsible for managing teams to develop commercial business for the Bank. Each team consists of an officer and account representative. Some branches have additional commercial managers who specialize in particular industries.

The Manager Personal Banking is responsible for supervising the operation of the branch, including all administrative functions. This manager is also directly responsible for the level of service provided to personal customers of the branch by customer services personnel, and for organizing campaigns to generate personal deposits.

The Customer Account Representative is a position unique to Continental Bank. Each personal banking customer has an account representative who acts as a personal banker, providing information, assistance and advice. This representative is a key member of the branch marketing team.

The human resources of the Bank are its major asset. The skills of former IAC employees have been blended with those of the more than 200 bankers who have been actively recruited in the past two years. These combined talents now provide valuable experience in all full-service branches.

Many programs to train people to the high levels of excellence that the Bank will demand are now in effect or in preparation. Such training takes time to implement fully, but precise goals have been set and will be achieved in the coming years.

Among the programs in effect in 1981:

- Manpower Planning System
- Establishment of employment standards and management criteria
- Management Development Program
- Career Path Planning Program
- Performance Monitoring System
- Sales Training Programs
- Administrative Training Programs

It takes time to build the spirit of pride that encourages superior service to customers. It takes time to be better. But the projects to build that pride have already begun.



TALKING TO CUSTOMERS

More than six out of ten adults in one large market in Eastern Canada are aware of Continental Bank. They see it as successful, and consider it a good place to save money.

Public attitude toward the Bank is probed regularly in a series of market research tracking studies. These studies are part of the monitoring process of an ongoing campaign to inform potential customers about the Bank and its new services.

The campaign consists of a number of levels of communication. The broadest is a sustaining advertising program in all markets served by full-service branches. This program, modest in scope but consistent in style, is designed to build the Bank's reputation among the various publics who need to know about its existence, and who are most likely to come into contact with it directly or indirectly.

Given the limited number of full-service branches, mass advertising can still play only a very general role. More direct selling campaigns are organized by the

individual branches. During 1980, a new Branch Marketing Program was introduced. This program gives branch management the responsibility and authority for designing business development campaigns. A variety of sales material is made available to the branches, and considerable ingenuity is applied in creating successful local sales programs.

These programs consist of two basic types. One, to provide more banking services to people who are already customers of the Bank. Two, to introduce new customers to services offered by the Bank.

On the personal banking side, quarterly objectives are set for each full-service branch for each deposit-gathering service. The results are monitored in the districts and at head office. Overall, the branches surpassed their objectives in each quarter of 1980, which contributed significantly to the Bank's funding operations. On the commercial side, objectives are set on numbers of accounts, volume, and profitability to be achieved with the new Commercial Banking System. This activity too is closely monitored.

The Company has always placed strong emphasis on business development skills. Employee training includes a number of formal sales training programs for both commercial and personal banking business. This emphasis may be somewhat unusual among traditional banking institutions, but in more than half a century of experience the Company has consistently found that nothing happens in banking until someone sells something.

INTERNATIONAL BANKING

The International Department is becoming a vital part of Continental Bank and is rapidly making its presence felt on the international banking scene. More than \$100 million in loans had been committed by year-end, primarily to governments or government-owned institutions. These include credits to Denmark, Sweden, Venezuela, Italy, Spain and France. Objectives for 1981 include additional correspondent banking relationships, the establishment of export financing services for corporate and commercial clients, and moderate expansion of the international loan portfolio.



New life was injected into the East Coast economy with the two-hundred-mile offshore fishing limit, renewed interest in coal, and the resurgence of the pulp and paper industry. Now the Atlantic Provinces are poised for another major economic breakthrough in offshore oil and natural gas.

Continental Bank has kept abreast of this economic growth through a variety of services: financing boats and equipment for the fishermen of Nova Scotia and Newfoundland, funding logging equipment in New Brunswick, and serving as bankers to the chandlers of Halifax and St. John's, who service the ocean going ships.

COMMENTARY ON FINANCIAL OPERATIONS

Since the Continental Bank began operating, all eligible new business has been transacted in the name of the Bank. As a result, there has been considerable growth in the lending and borrowing activities of the Bank. As permitted in the Act incorporating Continental Bank, IAC and subsidiaries other than the Bank continue to write new leasing business and acquire eligible business from the Bank. The Commentary on Financial Operations therefore deals with the consolidated results of IAC Limited. The financial statements for the Continental Bank have been prepared in accordance with the Bank Act, and a commentary on Bank operations appears at the end of this section.

IAC Limited Summary

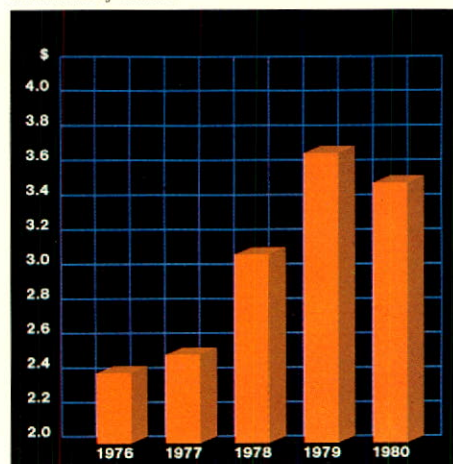
Consolidated earnings were \$7,360,000 compared to a restated \$10,481,000 for the 12-month period ended October 31, 1979. Earnings per common share were 48¢, compared to a restated 70¢ for the same period in 1979.

During the year, the Company retroactively changed its accounting policy regarding the translation of foreign currency assets and liabilities to be consistent with the practice of Canadian chartered banks. Under the new policy, all exchange gains or losses arising from the translation of foreign currency assets and liabilities are reflected in the current statement of earnings.

Previously, unrealized foreign exchange gains and losses had been deferred and carried in the balance sheet as unrealized foreign exchange gains or losses.

As a result of this change, earnings for 1980 include gains of \$3.7 million, or 27¢ per common share, and for 1979 losses of \$2.1 million, or 17¢ per common share, from the translation of foreign currency assets and liabilities. Had the policy not been changed, 1980 earnings would have been 21¢ per common share, compared to 87¢ for 1979. The main reason for this decrease was the continued escalation in interest rates; in the second quarter the prime rate reached an historic high of 17½%.

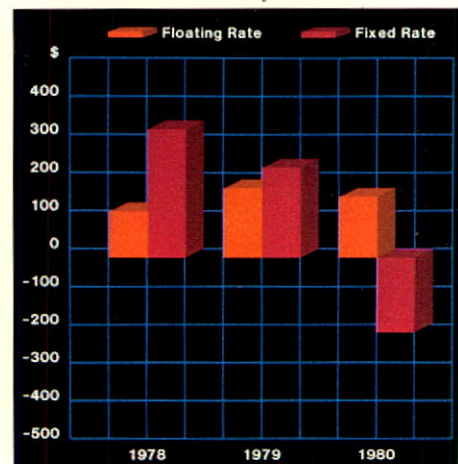
Total Assets
in billions of dollars



Asset Growth and Funding

Total assets at October 31, 1980 were \$3.512 billion, a decline of \$170 million from the level of \$3.682 billion a year ago. This pause in asset growth arose because interest-bearing loans were substituted for assets with pre-computed charges and steps were taken to improve the matching of fixed rate assets and liabilities. Before 1980, most asset growth was realized in

Comparison of Fixed and Floating Rate
Asset Growth in millions of dollars



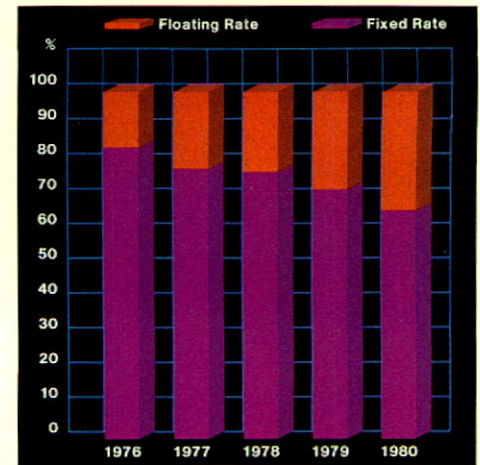
fixed rate assets, which provide a yield that remains unchanged until maturity. During fiscal 1980, fixed rate assets net of unearned income decreased by \$202 million to \$2,051 million; floating rate assets increased by \$163 million, from \$892 million to \$1,055 million.

Floating rate loans bear rates that respond to interest rate changes. Such assets now represent 34% of the Company's portfolio, compared to 28% last year. In 1980, fixed rate assets net of unearned income declined from 72% to 66% of the overall portfolio. The Company continues to emphasize floating rate business.

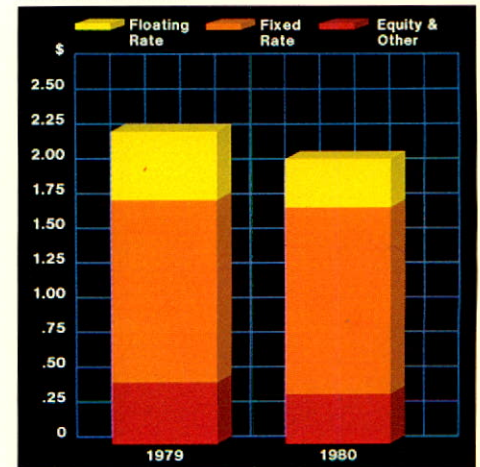
When fixed rate assets are perfectly matched with equity and fixed rate liabilities, spreads are locked in and earnings are protected from interest rate fluctuations. But it is virtually impossible to achieve a perfect match in today's volatile financial markets, and the Company has more fixed rate assets than fixed rate liabilities. Such an imbalance squeezes interest margins when general interest rates move up as they did in 1980.

Although there is still an imbalance, the Company has improved the matching of its fixed rate assets and liabilities. This was achieved by a reduction of \$202 million in fixed rate assets, and an increase of \$33 million in fixed rate borrowings. The amount of equity and other liabilities used to fund fixed rate assets was also reduced by \$87 million. As a result, the amount of fixed rate assets funded by floating rate liabilities was reduced by \$148 million to \$343 million at October 31, 1980.

Mix of Fixed and Floating Rate Assets



Funding of Fixed Rate Assets
in billions of dollars



Business Mix

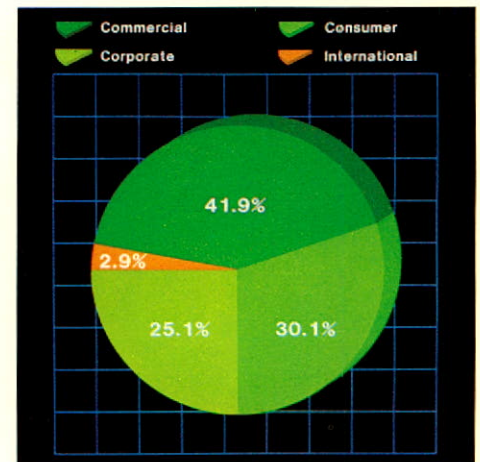
Commercial business, primarily direct and indirect financing to small and medium sized businesses, continues to be the largest segment of the Company's business. Commercial receivables at October 31, 1980 totalled \$1,875 million or 41.9% of total business.

Consumer financing, which consists of direct and indirect financing to individuals (primarily for durable goods and residential mortgages), represented 30.1% of the Company's business, and an investment of \$893 million.

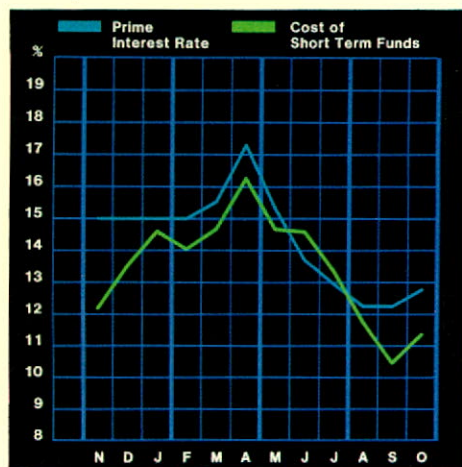
Corporate financing, which includes direct term financing to major companies through leasing, income debentures and term preferred shares, represented \$539 million, or 25.1% of the total.

The Bank began making foreign currency international loans in 1980, limiting its activity to prime international credits. At year-end, outstanding loans totalled \$84 million, or 2.9% of total assets.

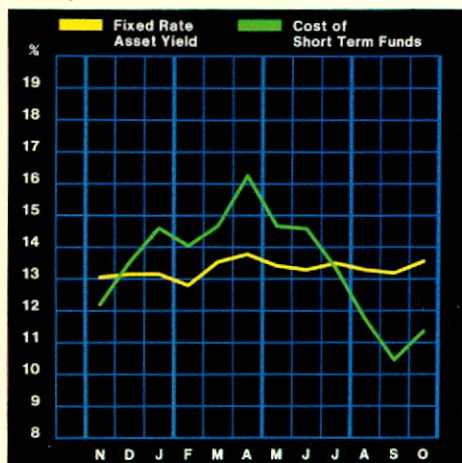
Market Segment Mix



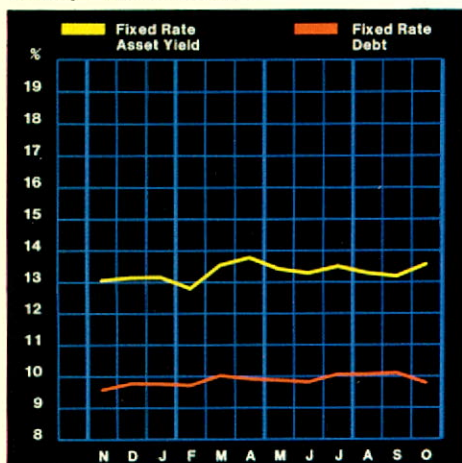
Prime Interest Rate Compared to Cost of Short Term Funds



Fixed Rate Asset Yield Compared to Cost of Short Term Funds



Fixed Rate Asset Yield Compared to Cost of Fixed Rate Debt



Interest Rates

During the first half of the year, interest rates continued to escalate, with the prime rate reaching an unprecedented Canadian high of 17.5% in April. But in the second half it declined rapidly, to 12.75% by year-end.

Interest rate changes affect the following segments of the portfolio in different ways:

- floating rate assets funded by floating rate liabilities
- fixed rate assets funded by floating rate liabilities
- fixed rate assets funded by fixed rate liabilities

Yields on prime related floating rate assets react immediately to a change in the prime rate. A large portion of the funding of floating rate assets is provided by short term deposits; the cost does not change until the deposit matures. Therefore, the cost of these funds may take a month or two to adjust to the new rates. In the first half of the year, there was a brief improvement in the spreads associated with this portion of the business, as interest rates moved towards their peak. As rates fell in the third quarter, spreads narrowed on this portion of the business, then widened again in the fourth quarter as interest rates moved up from their third quarter low.

The portion of fixed rate assets funded by floating rate liabilities became unprofitable in the first half of the year, as the cost of short term funds exceeded the yield on fixed rate assets. In the second half of the year, this portion of fixed rate assets became profitable once again.

The balance of fixed rate assets funded by fixed rate liabilities provided a positive spread throughout the year.

Operating Results

Average assets for the year ended October 31, 1980 were \$3,276 million, an increase of \$406 million over average assets of \$2,870 million for the previous year.

Total revenue increased 19.5% to \$369.3 million, or 11.28% of average assets. Re-stating tax-exempt income on a taxable equivalent basis, total revenue equalled 11.92% of average assets, compared to 11.39% in 1979. Interest expenses increased by 27.5% to \$302.2 million, or 9.23% of average assets, compared to 8.25% in 1979.

Net interest earnings include income from loans, leases and investments, grossed up for tax-exempt securities, less the provision for doubtful accounts and the cost of borrowed money. Expressed as a percentage of average assets, net interest earnings were \$2.69 for every \$100 of assets. This is a drop from \$3.14 in 1979, caused mainly by the sharp escalation of interest rates during the first half of fiscal 1980.

The provision for doubtful receivables, which is deducted from total revenue, for 1980 totalled \$10,701,000, compared to \$10,945,000 for the same period last year. As a percentage of average assets, this represents .33%, down from .38% last year.

Administrative expenses were \$73.1 million in 1980, compared to \$69.3 million in 1979, an increase of 5.5%. As a percentage of average assets, general and administrative costs were 2.23%, compared to 2.41% last year. This decrease was achieved despite the high costs of branch conversion and relocation, and the development of new banking systems.

Earnings after taxes and dividends on preferred shares were \$6.545 million for the year ended October 31, 1980. Expressed in terms of assets, the after-tax return was .20%, down from .34% in 1979.

Operating Results

expressed as a percentage of average assets

1979		1980
3.14%	NET INTEREST EARNINGS*	2.69%
2.41%	ADMINISTRATIVE EXPENSES	2.23%
.36%	INCOME TAXES	.24%
.03%	DIVIDENDS ON PREFERRED SHARES	.02%
.34%	EARNINGS	.20%

*Grossed up for tax exempt securities

CONTINENTAL BANK OF CANADA

Summary

The progress of the Bank has been most encouraging in spite of an adverse economic environment. Balance of revenue after income taxes totalled \$4,325,000 for the 12-month period ended October 31, 1980, compared to \$260,000 for the five-month period ended October 31, 1979. Assets continued to grow rapidly and exceeded \$1,681 million at October 31, 1980, an increase of \$483 million, or 40%, from \$1,198 million at October 31, 1979. The growth in branch deposits was equally impressive. Deposits gathered through the branch network represented an important part of Bank funding in 1980.

Assets

The Bank had a strong growth of quality loans, which increased by 47% to \$1,455 million at October 31, 1980. The success in making high quality floating rate loans confirms the growing market acceptance of the Continental Bank.

The Bank began making foreign currency international loans during the year, limiting activity to prime international credits. These loans, which will form an increasingly important part of the Bank's business, totalled \$84 million, approximately 5% of total assets, at year-end.

Liquid assets, which include cash, securities issued or guaranteed by Canada, day, call and short loans to investment dealers and brokers fully secured, and other short term investments were \$337 million, or 23% of total deposits, at October 31, 1980. This provided a sound liquidity position.

Liabilities

Deposit liabilities grew to \$1,481 million at October 31, 1980 from \$996 million a year ago. The Bank has been very successful in attracting deposits through the branch network. These deposits grew from \$50 million a year ago to \$640 million by year-end, representing more than 38% of the Bank's total funds. The rapid growth in branch deposits is also expanding the customer base of the Bank.

Capital Funds

Total capital funds amounted to more than \$100 million on October 31, 1980. The relationship of assets to capital funds was 16:8 times at year-end, well below average in Canadian banking. This lower ratio is an indicator of the Bank's relative financial strength and its favourable positioning for future expansion in its asset base.

Total revenues of the Bank were \$196,378,000 for the 12-month period ended October 31, 1980, compared to \$27,821,000 for the five months ended October 31, 1979. Total expenses were \$191,720,000, compared to \$28,762,000 in the previous fiscal period. These large increases arise from the following factors: the 1980 fiscal year was 12 months long, compared to five months for 1979; interest bearing assets and liabilities grew by more than 45% during the year; average interest rates earned and paid were approximately 15% higher during the year.

Other operating revenue represents a comparatively small portion of total revenue to date compared to traditional banking standards. Nevertheless, fee based revenues were \$867,000 during the year, compared to \$50,000 for the previous five-month fiscal period. This will be an increasingly important source of income in the future.

Balance of revenue was \$4,658,000 for the 12-month period ended October 31, 1980, compared to a deficit of \$941,000 for the five months ended October 31, 1979. This improvement in operating earnings reflects the improved matching of interest-sensitive assets and liabilities being achieved by the Bank, and the tight control being maintained over non-interest expenses.

The provision for income taxes was \$333,000, which is less as a percentage of pre-tax income than the statutory tax rate because of the inclusion in income of non-taxable dividends from Canadian corporations.

An appropriation for losses of \$4,300,000 has been made out of the balance of revenue after income taxes. This is a contingency reserve for possible, but as yet unidentified, losses. Known losses and specific provision for losses are accounted for separately, as a charge to accumulated appropriations. The remaining balance of revenue of \$25,000 has been transferred to undivided profits.

**CONSOLIDATED
STATEMENT OF
EARNINGS**

*For the year ended
October 31, 1980*

	1980 \$000's	1979 \$000's (note 2)
<i>Gross Income (note 5)</i>	369,281	308,900
<i>Expenditure</i>		
Cost of borrowed money –		
Short-term debt	172,793	112,529
Other term debt	129,391	124,432
	302,184	236,961
General and administrative	73,103	69,331
	(6,006)	2,608
<i>Provision for (Recovery of) Income Taxes</i>		
Current	14	(3,094)
Deferred	(13,380)	(4,779)
	(13,366)	(7,873)
<i>Earnings for the Year (note 3)</i>	7,360	10,481

**CONSOLIDATED
STATEMENT OF
RETAINED EARNINGS**

*For the year ended
October 31, 1980*

	1980 \$000's	1979 \$000's (note 2)
Earnings for the year (note 3)	7,360	10,481
Dividends on preferred shares	815	843
<i>Earnings Applicable to Common Shares</i>	6,545	9,638
Dividends on common shares at \$0.40 per share (1979: \$1.30)	5,439	17,653
Earnings retained in the business	1,106	(8,015)
Gain on preferred shares purchased for cancellation	149	129
Increase (decrease) in retained earnings for the year	1,255	(7,886)
Retained earnings at beginning of year as restated (note 3)	160,301	168,187
Retained earnings at end of year (note 3)	161,556	160,301
<i>Common Stock Earnings per Share –</i>		
Calculated on daily average of common shares outstanding – 13,596,743 (1979 – 13,580,922)	\$0.48	\$0.70

**CONSOLIDATED
BALANCE SHEET**

As at October 31, 1980

		1980 \$000's	1979 \$000's
<i>Assets</i>	<i>Cash and Short-Term Deposits</i>	32,911	53,211
	<i>Marketable Securities – at cost, plus accrued income (market value – \$57,008,000; 1979 – \$94,743,000)</i>	58,292	95,474
	<i>Day and Call Loans to Investment Dealers and Brokers, Secured</i>	203,041	132,398
	<i>Receivables</i>		
	Sales financing (note 6)	1,183,983	1,445,949
	Personal loans	82,595	145,683
	Residential mortgages	403,642	386,563
	Commercial loans	669,209	514,833
	Leasing	810,706	846,495
	Other	39,224	19,723
		3,189,359	3,359,246
	Allowance for doubtful receivables	25,519	26,164
		3,163,840	3,333,082
	<i>Investments in Other Companies – at cost</i>	10,751	11,851
	<i>Other Assets and Deferred Charges</i>		
	Customers' liability under letters of credit, as per contra	653	428
	Cash committed for preferred stock retirement	10	13
	Income taxes recoverable	2,064	5,143
	Leasehold improvements, prepaid expenses and deferred acquisition costs	17,086	15,053
	Unamortized debt discount and expense	15,621	28,659
	Premises and equipment – at cost, less accumulated depreciation of \$6,549,000 (1979 – \$6,621,000)	7,807	6,693
		43,241	55,989
		3,512,076	3,682,005
<i>Liabilities</i>	<i>Secured Notes (Schedule A and note 8)</i>	1,273,448	1,705,732
	<i>Deposits (Schedule B)</i>	1,348,949	865,684
	<i>Debentures (Schedule C and note 8)</i>	107,688	118,417
	<i>Unsecured Notes (note 7)</i>	27,842	28,755
		2,757,927	2,718,588
	<i>Payables</i>		
	Accounts payable and accrued liabilities	105,233	179,857
	Income taxes	–	41
	Letters of credit	653	428
		105,886	180,326
	<i>Unearned Income (note 10)</i>	286,797	408,472
	<i>Deferred Income Taxes (note 11)</i>	133,526	147,232
		3,284,136	3,454,618
<i>Shareholders' Equity</i>	<i>Capital Stock (Schedule D)</i>		
	Preferred shares	14,471	15,173
	Common shares (note 12)	51,913	51,913
		66,384	67,086
	<i>Retained Earnings</i>	161,556	160,301
		227,940	227,387
		3,512,076	3,682,005

Signed on behalf of the Board

*D. W. Maloney
Director*

*S. F. Melloy
Director*

**CONSOLIDATED STATEMENT
OF CHANGES IN
FINANCIAL POSITION**

*For the year ended
October 31, 1980*

	1980 \$000's	1979 \$000's (note 2)
<i>Sources of Funds</i>		
Operations –		
Earnings for the year	7,360	10,481
Amortization of debt discount and expense	2,510	2,695
Amortization and depreciation of fixed assets	2,816	1,739
Loss on realization of an investment in other companies	150	–
Provision for deferred income taxes	(13,380)	(4,779)
	(544)	10,136
Borrowings –		
Deposits – issues, less redemptions	488,169	842,784
Secured notes – issues, less redemptions	(421,615)	(181,636)
Debentures – issues, less redemptions	(10,729)	(8,975)
Unsecured notes – issues, less redemptions	(803)	(909)
	55,022	651,264
Proceeds from realization of an investment in other companies	950	–
	55,428	661,400
<i>Uses of Funds</i>		
Increase (decrease) in operating assets –		
Marketable securities	(37,182)	85,082
Day and call loans to investment dealers and brokers, secured	70,643	132,398
Receivables –		
Sales financing	(261,966)	202,064
Personal loans	(63,088)	(34,148)
Residential mortgages	17,079	88,556
Commercial loans	154,376	109,254
Leasing	(35,789)	132,541
	(189,388)	498,267
Decrease (increase) in unearned income	121,675	(64,407)
Decrease (increase) in allowance for doubtful receivables	645	(889)
	(67,068)	432,971
	(33,607)	650,451
Capital Stock –		
Common shares – proceeds of issue	–	(456)
Preferred shares – cost of redemptions	553	675
	553	219
Dividends paid on common and preferred shares	6,254	18,496
Other –		
Net increase in other assets including other receivables	22,685	19,445
Net decrease (increase) in payables	79,843	(63,225)
	102,528	(43,780)
Increase (decrease) in cash and short-term deposits	(20,300)	36,014
	55,428	661,400

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended
October 31, 1980

1) Restriction of Activities

The Continental Bank of Canada was incorporated by an Act of Parliament on July 14, 1977 as a subsidiary of IAC. On June 15, 1978 the Bank obtained approval to commence business and commenced banking operations on June 4, 1979. The Act incorporating the Bank restricts the activities of IAC and its subsidiaries, other than the Bank, to activities which are not considered to be eligible banking activities although IAC and its subsidiaries may acquire eligible assets from the Bank subject to certain restrictions. Pursuant to conditions set out in the Bank's incorporating statute, the Bank and IAC are required to amalgamate on or before July 14, 1987.

2) Comparative Figures

The comparative figures in the accompanying financial statements cover the twelve months ended October 31, 1979. The financial statements reported to shareholders in 1979 covered only the ten months ended October 31, 1979 because the Company changed its year end from December 31 to October 31 in 1979.

3) Change in Accounting Policy

During the year IAC's policy in respect of translation of foreign currency assets and liabilities was changed to reflect all exchange gains and losses, both realized and unrealized, in the statement of earnings in the current fiscal year. Previously, unrealized exchange gains and losses resulting from the difference between the current exchange rate and the exchange rate at the date the proceeds of unhedged borrowings were received or the date of purchase of unhedged assets, were deferred. The new policy has been applied retroactively.

The effect of the change in policy for the year ended October 31, 1980 was an increase in earnings of \$3,698,000, being a decrease in cost of borrowed money of \$7,396,000 less a decrease in recovery of deferred income taxes of \$3,698,000. The retroactive implementation of the new policy resulted in prior period adjustments. Therefore, the opening balance of retained

earnings and earnings of the year ended October 31, 1979 have been restated as follows:

	Previously stated \$000's	Restated \$000's	Effect \$000's
Retained earnings – October 31, 1978	187,616	168,187	19,429
Earnings for the year ended October 31, 1979	12,627	10,481	2,146
Retained earnings – October 31, 1979	181,876	160,301	21,575

4) Significant Accounting Policies

a) Principles of consolidation

The statements consolidate the accounts of the Company and its subsidiaries. The Bank Act and the regulations thereunder prescribed by the Minister of Finance stipulate the format of the financial statements and the significant accounting policies to be followed for the Continental Bank of Canada, a subsidiary of the Company. For purposes of consolidation the financial statements of the Bank have been restated to conform with generally accepted accounting principles.

b) Recognition of revenue

Precomputed charges on sales financing retail receivables for terms of less than forty-eight months and on personal loan receivables are taken into income using the sum-of-the-digits method on an account by account basis. Because this method does not maintain the original yield over longer terms, on sales financing retail contracts written for terms in excess of forty-eight months, unearned income is taken into earnings on the actuarial yield basis.

Discount on residential mortgages purchased is brought into income over the remaining term of the mortgage using the actuarial yield method.

Leasing transactions are reported in accordance with the financing method of accounting. The excess of aggregate rentals over the cost of the leased asset is recorded as unearned income at the time of the transaction. Income is taken up over the term of the lease pro rata to the declining balance of the investment. Contractual disposal proceeds negotiated at the inception of the lease are included in unearned income and taken up as described above. Gains arising from residual values of leased assets are

reflected in earnings only when realized.

c) Allowance for doubtful receivables

For certain residential mortgage receivables, the allowance is set up as a percentage of such receivables. For all other receivables such allowance is established by evaluating individual accounts.

d) Translation of foreign currencies

Assets and liabilities in foreign currency are translated to Canadian funds at current exchange rates. Exchange gains and losses, both realized and unrealized, are included in the statement of earnings.

Transaction gains and losses on foreign currency positions held in the Bank's trading account are also reflected in the statement of earnings.

e) Amortization of debt discount and expense

Debt discount and expense is amortized over the term of the related debt instrument. If the debt is prepayable at the holder's option, the amortization is calculated to the first optional maturity date. When a debt obligation is redeemed prior to maturity, the related unamortized charges are written off at the time of redemption.

f) Methods of depreciation

Buildings are depreciated on a straight-line basis at the rate of 2.5% per annum. All other assets are depreciated at the maximum rates allowed by the regulations of the Canadian Income Tax Act for claiming capital cost allowance.

Leasehold improvements are amortized over the term of the respective leases.

g) Amortization of acquisition costs

Acquisition costs for certain of the sales financing retail receivables are deferred and amortized over the term of the contract using the sum-of-the-digits method.

	1980 \$000's	1979 \$000's	Increase (decrease)	
			\$000's	%
5) Gross Income				
Sales financing	180,185	161,929	18,256	11.3
Personal loans	15,959	21,629	(5,670)	(26.2)
Residential mortgages	47,780	42,148	5,632	13.4
Commercial loans	63,452	42,423	21,029	49.6
Leasing	58,666	52,429	6,237	11.9
	366,042	320,558	45,484	14.2
Provision for doubtful receivables	(10,701)	(10,945)	244	(0.2)
Acquisition costs	(6,192)	(7,481)	1,289	(17.2)
	349,149	302,132	47,017	15.6
Investment and other income	20,132	6,768	13,364	197.5
	369,281	308,900	60,381	19.5

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended
October 31, 1980

6) Sales Financing Receivables	1980	1979
Sales financing receivables comprise:	\$000's	\$000's
Wholesale receivables	315,388	436,554
Retail receivables	868,595	1,009,395
	<u>1,183,983</u>	<u>1,445,949</u>

7) Unsecured Notes	1980	1979
Unsecured notes comprise:	\$000's	\$000's
Parent company –		
Short-term notes	<u>25,000</u>	<u>25,000</u>
8% term note for U.S. \$2,246,000 (1979 –		
U.S. \$2,654,000) repayable in equal		
semi-annual instalments until 1986	2,642	3,148
Niagara Finance Company Limited –		
6% term note for U.S. \$170,000 (1979 –		
U.S. \$511,000) repayable in 1981	<u>200</u>	<u>607</u>
	<u>2,842</u>	<u>3,755</u>
	<u>27,842</u>	<u>28,755</u>

8) Sinking Fund, Mandatory Redemption
and Purchase Fund Requirements

The sinking fund and mandatory redemption requirements for the years ending October 31, 1981 to 1985 are as follows:

	\$000's
1981	5,458
1982	9,262
1983	3,892
1984	14,797
1985	14,038

Certain issues have purchase fund requirements which are non-cumulative and under which the IAC companies are required to redeem only debt instruments offered to

them subject to limitations as to price and aggregate annual amounts. It is not possible to predict the amounts that will be offered by holders. The maximum purchase fund requirements for the years ending October 31 are as follows:

(In millions of dollars)	
Years ending October 31,	
1981	12.6
1982	11.4
1983	8.2
1984	7.2
1985	6.3
1986-1990	26.8
after 1990	11.4

9) Maturities of Gross
Receivables and Borrowings

(In millions of dollars)

	1 year	2 years	3 years	4 years	5 years	6-10 years	Over 10 years	Total
<i>Receivables:</i>								
Sales financing	731.7	267.9	132.8	36.8	10.4	4.4	–	1,184.0
Personal loans	54.6	17.3	8.2	2.0	0.3	0.2	–	82.6
Residential mortgages	50.0	70.4	103.0	114.5	36.7	12.2	16.8	403.6
Commercial loans	189.3	42.5	102.0	109.3	42.0	150.5	33.6	669.2
Leasing	146.2	133.7	107.0	85.0	68.1	187.9	82.8	810.7
Other receivables	39.2	–	–	–	–	–	–	39.2
<i>Total Borrowings* – excluding deposits</i>	<u>1,211.0</u>	<u>531.8</u>	<u>453.0</u>	<u>347.6</u>	<u>157.5</u>	<u>355.2</u>	<u>133.2</u>	<u>3,189.3</u>
	259.4	156.2	281.9	220.2	222.4	148.6	120.3	1,409.0
<i>Excess of Receivables</i>	951.6	375.6	171.1	127.4	(64.9)	206.6	12.9	1,780.3
<i>Less: Deposits net of "cash equivalents"</i>	957.8	5.4	36.1	1.1	54.3	–	–	1,054.7
	<u>(6.2)</u>	<u>370.2</u>	<u>135.0</u>	<u>126.3</u>	<u>(119.2)</u>	<u>206.6</u>	<u>12.9</u>	<u>725.6</u>

All receivables have been allocated on the basis of contractual terms.

*Allocation not adjusted for sinking fund, mandatory redemption and purchase fund requirements (see note 8).

"Cash equivalents" comprise cash and short-term deposits, marketable securities and day and call loans to investment dealers and brokers.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS

For the year ended
October 31, 1980

10) Unearned Income	1980	1979
Unearned income comprises:	\$000's	\$000's
Unearned service charges relating to sales financing receivables	58,387	140,394
Unearned service charges relating to personal loans	4,475	19,801
Deferred income relating to residential mortgages	2,087	2,400
Deferred income relating to commercial loans	213	182
Unearned income relating to leasing receivables	221,635	245,695
	<u>286,797</u>	<u>408,472</u>

11) Deferred Income Taxes

Deferred income taxes arise from timing differences relating to the treatment for income tax purposes of income and expenses associated with the following:

	1980	1979
	\$000's	\$000's
Commercial loans	(2,222)	(1,675)
Residential mortgage receivables	(743)	1,154
Unamortized debt discount and expense	44	658
Premises and equipment	161	181
Leasing receivables	155,543	169,689
Tax loss carry-forward	(1,391)	(1,201)
Other term debt	(17,866)	(21,574)
	<u>133,526</u>	<u>147,232</u>

12) Common Shares

1,024,696 common shares are reserved for conversion rights exercisable until July 14, 1984 at 46 shares (equivalent to \$21.74 per share) for each \$1,000 of principal of the 1974 9½% convertible subordinated debentures.

13) Commitments Under Leases

The Companies have leases on office premises rented for their business, requiring rental payments as follows:

Years	Approximate annual rentals \$000's
1981	6,347
1982	6,306
1983	6,168
1984	4,910
1985	3,196
The aggregate rentals for 1986 and thereafter	18,805

16) Contingent Liabilities

IAC and some of its subsidiaries are parties to certain litigation incidental to the kind of business conducted. In the opinion of management, the ultimate liability, if any, will not materially affect the Company's consolidated financial position or results of operations.

IAC has received tax reassessments for the taxation years 1975 and 1976 disallowing the deduction from income of expenses totalling approximately \$930,000, which are under appeal.

14) Pension Fund

The Companies have a pension plan covering all permanent employees age 27 and over with more than one year of service. The pension benefits are based on the highest average remuneration received over any period of five consecutive years. The policy is to fund pension costs as accrued and based on actuarial valuations done every three years. As at December 31, 1977, the date of the last actuarial valuation, the past service liability was fully funded.

15) Guarantee

Until the amalgamation of the Company and Continental Bank of Canada, IAC has guaranteed the indebtedness of the Bank as to principal, interest and redemption premium, if any. Such indebtedness amounted to \$1,574,888,000 (1979 - \$1,097,123,000) as at October 31, 1980.

17) Continuance Under the Canada Business Corporations Act

Subsequent to October 31, 1980, the Company was continued under the Canada Business Corporations Act. Under the Certificate of Continuance all classes of the Company's shares are without nominal or par value.

**CONSOLIDATED DETAILS
OF SECURED NOTES**
*As at October 31, 1980
Schedule A*

	Year of issue	Series	Rate %	Maturity date	Par value U.S. \$000's	1980 \$000's	1979 \$000's
<i>Secured short-term notes</i>						129,844	485,426
<i>Secured term notes</i>							
Payable in Canadian funds – Parent company	1959	“V”	6½	December 1, 1979	–	–	5,000
	1960	“W”	6	August 15, 1980	–	–	7,500
	1961	“X”	5¾	November 15, 1981	8,500	8,500	8,500
	1962	“Y”	5.40	July 2, 1982	10,000	10,000	10,000
	1964	“28”	5¾	September 15, 1984	15,000	15,000	15,000
	1965	“31”	5¾	March 1, 1985	12,500	12,500	12,500
	1965	“33”	6	December 1, 1985	5,000	5,000	5,000
	1966	“34”	6½	February 1, 1986	6,000	6,000	6,000
	1969	“37”*	8¾	May 1, 1989	1,200	1,200	1,200
	1972	“39”*	8¾	September 1, 1991	21,811	23,468	23,468
	1976	–	9½	May 15, 1981	25,000	25,000	25,000
	1976	– *	10¼	July 30, 1983	97,522	99,779	99,779
	1977	–	9	March 1, 1984	100,000	100,000	100,000
	1978	–	9¾	June 5, 1985	125,000	125,000	125,000
	1979	–	11¾	November 15, 1999	30,000	–	–
					457,533	443,947	
Niagara Finance Company Limited	1964	“1”	5¾	April 15, 1984	10,000	10,000	10,000
	1964	“2”	5¾	May 1, 1985	10,000	10,000	10,000
	1965	“3”	5¾	May 1, 1985	10,000	10,000	10,000
	1966	“4”	7½	December 1, 1986	5,000	5,000	5,000
	1968	“5”	8¼	May 1, 1988	7,500	7,500	7,500
					42,500	42,500	
Niagara Realty of Canada Limited	1970	“A”*	9¾	December 15, 1990	4,160	4,610	4,610
	1971	“B”*	7⅞	December 15, 1986	618	725	725
	1972	“C”*	8¼	August 15, 1982	12,369	12,458	12,458
	1973	“D”*	7⅞	May 15, 1988	883	16,849	16,849
	1974	“E”*	9	March 1, 1994	1,219	21,933	21,933
	1974	“F”*	10¼	June 18, 1981	9,119	9,306	9,306
	1974	“F”**	10¾	December 18, 1984	10,126	11,109	11,109
	1977	“G”*	9½	January 30, 1984	47,698	48,509	48,509
	1978	“H”	9½	May 2, 1983	75,000	75,000	75,000
	1979	“I”	∞	May 1, 1985	25,000	25,000	25,000
	1980	“J”	∞	January 31, 1982 [∞]	55,000	–	–
					241,192	225,499	
Payable in U.S. funds – Parent company	1962	“Z”	5¼	October 1, 1982	10,000	11,767	11,860
	1963	“27”	5¼	April 1, 1988	10,000	11,767	11,860
	1964	“29”	5	October 1, 1984	10,000	11,767	11,860
	1965	“30”	5	February 15, 1985	15,000	17,651	17,790
	1965	“32”	5½	October 1, 1987	20,000	23,534	23,720
	1966	“35”	5¾	February 1, 1986	12,825	15,091	15,210
	1968	“36”*	7¾	October 15, 1986	8,300	9,767	10,733
	1969	“38”*	9½	June 1, 1990	8,774	10,324	15,092
	1974	“40”*	9¼	May 15, 1994	37,900	44,597	47,262
	1976	“41” [∞]	9½	March 15, 1983	42,500	50,009	53,370
	1978	– °	9	March 15, 1986	25,000	29,418	29,650
					200,299	235,692	248,407
Niagara Finance Company Limited	1975	“6”**	10½	September 1, 1990	22,500	26,476	28,464

Holders of “38” notes have the right to prepayment on June 1, 1985. Holders of “A” notes have the right to prepayment on December 15, 1980 or 1985. The first option expired June 15, 1980 and the holders of \$3,810,000 of these notes elected to exercise their right to prepayment. Holders of “I” notes have the right to prepayment after July 1, 1980 on 30 days written notice. Prepayment shall be made by delivering to each holder a certificate of deposit of Continental Bank of Canada for an amount equal to the prepayment

amount and with the same interest rate and maturity date as the Series “I” notes.

The parent Company has guaranteed secured notes of Niagara Realty of Canada Limited as to principal, interest and redemption premiums, if any.

*These notes have purchase fund provisions (note 8).

**These notes have sinking fund provisions (note 8).

°These notes have mandatory redemption provisions (note 8).

∞ Bank prime rate less ½%.

[∞]The interest rate is determined at periodic intervals based upon the interest rate quoted on commercial paper issued by the holder.

[∞]The Company has the right to prepayment on 30 days written notice. The Company shall make such prepayment by delivering to each holder a certificate of deposit of Continental Bank of Canada for an amount equal to the prepayment and with the same interest rate and maturity date as the Series “J” notes. The Company has the right to redeem the notes on 30 days written notice.

**CONSOLIDATED DETAILS
OF SECURED NOTES**

*As at October 31, 1980
Schedule A (continued)*

<i>Secured term notes (continued)</i>	<i>Calendar Year of Maturity</i>	<i>Par value U.S. \$000's</i>	<i>1980 \$000's</i>	<i>1979 \$000's</i>
<i>Notes issued at rates of interest varying from 8.5% to 13.0%</i>				
Payable in Canadian funds – Parent company	1979		–	206
	1980		37,262	132,707
	1981		20,221	20,221
	1982		7,577	577
	1983		10,369	10,369
	1984		5,000	5,000
			<u>80,429</u>	<u>169,080</u>
Niagara Finance Company Limited	1980		–	20
	1982		5	5
			<u>5</u>	<u>25</u>
Payable in U.S. funds – Parent company	1980	–	–	2,135
	1981	1,800	2,118	2,135
	1982	35,000	41,185	41,510
	1983	10,000	11,767	11,860
		<u>46,800</u>	<u>55,070</u>	<u>57,640</u>
Niagara Finance Company Limited	1982	1,000	1,177	1,186
	1983	1,000	1,177	1,186
	1984	1,000	1,177	1,186
	1985	1,000	1,176	1,186
		<u>4,000</u>	<u>4,707</u>	<u>4,744</u>
			<u>1,143,604</u>	<u>1,220,306</u>
			<u>1,273,448</u>	<u>1,705,732</u>

All notes payable in U.S. funds have been
translated at current exchange rates.

**CONSOLIDATED DETAILS
OF DEPOSITS**

*As at October 31, 1980
Schedule B*

	<i>1980 \$000's</i>	<i>1979 \$000's</i>
Demand deposits	17,735	7,841
Notice deposits	27,510	5,713
Term deposits under 1 year	1,124,179	851,746
Term deposits over 1 year	179,525	384
	<u>1,348,949</u>	<u>865,684</u>

**CONSOLIDATED DETAILS
OF DEBENTURES**
*As at October 31, 1980
Schedule C*

	Year of issue	Rate %	Maturity date	Amount authorized and issued \$000's	1980 \$000's	1979 \$000's
<i>Debentures</i>						
Payable in Canadian funds – Parent company	1960	6¾**	February 1, 1980		–	5,367
	1961	5¾**	July 2, 1981	10,000	6,498	6,769
	1962	5¾**	February 15, 1982	10,000	5,819	6,079
	1965	6½*	December 15, 1983	10,000	5,545	5,661
	1966	7½*	December 15, 1986	10,000	5,725	6,185
	1970	9½°	October 15, 1992	15,000	9,096	10,296
	1975	9¾°	March 25, 1995	30,000	28,647	29,782
					61,330	70,139
Niagara Finance Company Limited	1972	8 **	April 17, 1992	15,000	387	424
	1974	11½°	October 15, 1994	15,000	14,495	14,971
					76,212	85,534

*These debentures have sinking fund provisions (note 8).

**These debentures have purchase fund provisions (note 8).

°These debentures have purchase fund provisions until October 15, 1982 and sinking fund provisions thereafter. Holders have the right to prepayment on October 15, 1982 (note 8).

°°These debentures have purchase fund provisions until March 25, 1983 and sinking fund provisions thereafter. Holders have the right to prepayment on March 25, 1983 (note 8).

°°°These debentures have purchase fund provisions and the holders have the right to prepayment on October 15, 1984 and 1989 (note 8).

Subordinated Debentures
 Payable in Canadian funds –
 Parent company

1966	6¾*	August 15, 1984	15,000	9,062	9,461
1967	7 *	November 1, 1985	10,000	138	143
1974	9½**°	July 15, 1994	24,000	22,276	23,279
				31,476	32,883
				107,688	118,417

*These debentures have sinking fund provisions (note 8).

**Convertible debentures (note 12).

°These debentures have purchase fund provisions (note 8).

CONSOLIDATED DETAILS
OF CAPITAL STOCK

As at October 31, 1980
Schedule D

	1980		1979	
	Shares	Amount \$000's	Shares	Amount \$000's
<i>Preferred Shares</i>				
Authorized and issued –				
4½% cumulative shares				
of \$100 each redeemable at \$101	100,000	10,000	100,000	10,000
Purchased for cancellation	69,409	6,941	65,284	6,529
	<u>30,591</u>	<u>3,059</u>	<u>34,716</u>	<u>3,471</u>
5¾% cumulative shares of \$25 each				
redeemable at \$25.50				
declining to \$25.25 at May 15, 1981	600,000	15,000	600,000	15,000
Purchased for cancellation	143,533	3,588	131,933	3,298
	<u>456,467</u>	<u>11,412</u>	<u>468,067</u>	<u>11,702</u>
		<u>14,471</u>		<u>15,173</u>
<i>Common Shares</i>				
Authorized without nominal or				
par value	<u>20,000,000</u>		<u>20,000,000</u>	
Issued and fully paid –				
Beginning of year	13,596,743	51,913	13,573,943	51,457
Issued during the year –				
On conversion of 1974				
9½% convertible				
subordinated debentures	–	–	22,800	456
End of year	<u>13,596,743</u>	<u>51,913</u>	<u>13,596,743</u>	<u>51,913</u>

AUDITORS' REPORT
TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of IAC Limited as at October 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at October 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change to the accounting policy with respect to translation of foreign currencies as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

December 12, 1980

TEN YEAR OPERATING
AND STATISTICAL SUMMARY

	1980	1979 (note 3)	1978
<i>Assets and Liabilities (\$000's):</i>			
Total assets (note 1a)	3,512,076	3,682,005	3,096,633
Total receivables	3,189,359	3,359,246	3,007,933
Details:			
Sales financing — wholesale	315,388	436,554	395,694
— retail	868,595	1,009,395	893,701
Personal loans	82,595	145,683	171,532
Residential mortgages	403,642	386,563	319,374
Commercial loans	669,209	514,833	438,156
Leasing	810,706	846,495	771,662
Other receivables	39,224	19,723	17,814
Total debt	2,757,927	2,718,588	2,242,972
Total equity (note 1b)	227,940	227,387	232,157
Debt to equity ratio: times (note 1c)	12.10	11.96	9.66
<i>Operating Highlights (\$000's):</i>			
Gross income	369,281	259,248	263,221
Cost of borrowed money	302,184	198,878	169,110
General expenses	73,103	58,802	61,443
Earnings	7,360	8,323	22,592
Preferred dividends	815	700	872
Earnings applicable to common shares	6,545	7,623	21,720
Provision for doubtful receivables	10,701	9,577	11,206
Write-offs	9,975	7,180	10,093
% of average receivables	0.30	0.27	0.37
Average cost of borrowed money % (note 2)	11.6	10.1	9.0
<i>Common Stock Facts:</i>			
Earnings per share outstanding — daily average	\$0.48	\$0.56	\$1.60
Earnings per share restated (note 1b)	\$0.48	\$0.62	\$0.64
Per cent return on average equity (note 1c)	3.1	4.3	9.8
Dividends paid per share	\$0.40	\$0.97½	\$1.30
Number of shareholders	13,536	14,357	12,924
Number of shares outstanding			
— year end	13,596,743	13,596,743	13,573,943
— daily average	13,596,743	13,582,322	13,573,901
— owned in Canada — year end %	98.2	98.0	97.3
Book value per share (note 1c)	\$15.70	\$15.61	\$15.94

NOTES:

1) In 1980 the Company changed retroactively its accounting policy in respect of the translation of foreign currency assets and liabilities to reflect all foreign exchange translation gains and losses in the current statement of earnings. Previously, unrealized gains or losses had been deferred and carried in the balance sheet as unrealized foreign exchange gains or losses. Concurrently with the change in accounting policy, the Company has hedged its foreign currency assets and liabilities through the purchase of forward exchange contracts.

For comparative purposes the above summary reflects these changes in years prior to 1980 as follows:

- total assets exclude unrealized foreign exchange losses previously carried in the balance sheet;
- total equity, and earnings per share restated reflect the earnings that would have prevailed if the revised accounting policy had been in effect during the period and if the Company had not hedged its foreign currency position;
- the ratios debt to equity and book value per

share reflect restated equity. Return on average equity relates reported earnings to restated equity.

- For proper comparison, the average cost of borrowed money % in 1980 excludes gain on translation of unhedged foreign currency borrowings, \$7,396,000.
- Figures for 1979 cover ten months ended October 31, 1979. Percentages — write-offs of average receivables, average cost of borrowed money and return on average equity have been annualized for comparative purposes.

1977	1976	1975	1974	1973	1972	1971
2,517,357	2,409,966	2,390,847	2,139,457	1,852,885	1,523,353	1,298,134
2,481,134	2,305,514	2,298,700	2,065,068	1,779,556	1,455,635	1,206,857
349,162	287,670	295,850	296,164	239,568	215,289	177,130
701,639	764,774	771,584	798,840	725,232	606,912	516,973
178,086	203,709	216,450	216,617	197,479	173,487	159,102
258,936	248,880	202,247	175,619	127,589	94,148	75,992
277,355	83,590	84,349	75,274	58,707	55,215	61,739
710,753	710,217	724,840	498,701	427,499	307,813	212,812
5,203	6,674	3,380	3,853	3,482	2,771	3,109
1,680,839	1,545,947	1,540,203	1,407,572	1,203,673	974,080	850,844
241,383	235,573	219,686	206,977	192,266	183,478	164,493
6.96	6.56	7.01	6.80	6.26	5.31	5.17
239,667	248,341	227,092	208,648	159,665	137,160	128,243
130,163	135,265	114,265	115,847	73,280	55,919	52,838
57,179	55,995	54,776	47,415	42,839	39,926	37,180
34,528	32,267	30,450	23,336	22,494	21,994	19,415
900	926	988	996	1,019	1,034	1,064
33,628	31,341	29,462	22,340	21,475	20,960	18,351
11,159	11,617	10,628	7,011	5,898	4,479	7,250
9,932	10,888	7,644	4,665	4,222	4,230	5,730
0.42	0.47	0.36	0.24	0.27	0.33	0.47
8.4	8.9	8.3	9.0	7.2	6.6	6.7
\$2.48	\$2.31	\$2.18	\$1.69	\$1.65	\$1.65	\$1.50
\$1.64	\$2.38	\$1.99	\$1.65	\$1.64	\$1.67	\$1.53
15.1	14.9	15.1	12.3	12.7	13.5	13.1
\$1.18	\$1.14	\$1.09	\$0.98	\$0.96	\$0.84	\$0.80
11,589	11,307	11,435	11,853	12,510	12,672	12,802
13,573,643	13,544,033	13,541,883	13,487,698	13,006,293	12,988,399	12,306,118
13,551,871	13,543,285	13,513,111	13,204,861	12,995,747	12,694,400	12,207,770
96.7	96.5	96.3	96.3	95.7	96.2	95.2
\$16.58	\$16.16	\$14.90	\$13.98	\$13.35	\$12.65	\$11.79



STATEMENT OF ASSETS
AND LIABILITIES

As at October 31, 1980



		1980 Dollars	1979 Dollars
<i>Assets</i>	Cash and due from banks	67,836,000	41,776,000
	Cheques and other items in transit, net	7,811,000	10,242,000
	<i>Total cash resources</i>	75,647,000	52,018,000
	Securities issued or guaranteed by Canada, at amortized value	52,124,000	72,142,000
	Other securities, not exceeding market value	49,628,000	65,092,000
	<i>Total securities</i>	101,752,000	137,234,000
	Day, call and short loans to investment dealers and brokers, secured	160,026,000	132,398,000
	Other loans, including mortgages, less provision for losses	1,295,309,000	857,979,000
	<i>Total loans</i>	1,455,335,000	990,377,000
	Bank premises at cost, less amounts written off	17,952,000	7,178,000
	Securities of corporation controlled by the Bank (note 5)	4,998,000	—
	Customers' liability under acceptances, guarantees and letters of credit, as per contra	653,000	428,000
	Other assets	25,347,000	10,756,000
	<i>Total sundry assets</i>	48,950,000	18,362,000
		1,681,684,000	1,197,991,000
<i>Liabilities</i>	Deposits by Canada	659,000	256,000
	Deposits by provinces	3,600,000	5,386,000
	Deposits by banks	121,171,000	17,764,000
	Personal savings deposits payable after notice, in Canada, in Canadian currency	104,812,000	14,471,000
	Other deposits	1,251,573,000	957,954,000
	<i>Total deposits</i>	1,481,815,000	995,831,000
	Acceptances, guarantees and letters of credit	653,000	428,000
	Other liabilities	92,420,000	100,864,000
	<i>Total sundry liabilities</i>	93,073,000	101,292,000
	Accumulated appropriations for losses	6,756,000	853,000
<i>Capital Funds</i>	Capital stock:		
	Authorized – 10,000,000 shares, par value \$10 each;		
	Issued and fully paid – 5,000,000 shares	50,000,000	50,000,000
	Rest account	50,000,000	50,000,000
	Undivided profits	40,000	15,000
	<i>Total capital funds</i>	100,040,000	100,015,000
		1,681,684,000	1,197,991,000

D. W. Maloney
ChairmanS. F. Melloy
President and Chief Executive Officer


**STATEMENT OF REVENUE,
EXPENSES AND
UNDIVIDED PROFITS**
*For the year ended
October 31, 1980*

	1980 Dollars	1979 Dollars
<i>Revenue:</i>		
Income from loans	180,820,000	23,240,000
Income from securities	14,691,000	4,531,000
Other operating revenue	867,000	50,000
Total revenue	196,378,000	27,821,000
<i>Expenses:</i>		
Interest on deposits	166,963,000	21,421,000
Salaries, pension contributions and other staff benefits	11,928,000	2,192,000
Property expenses, including depreciation	6,056,000	361,000
Other operating expenses, including provision of \$1,170,000 for losses on loans (1979 – \$1,006,000)	6,773,000	4,788,000
Total expenses	191,720,000	28,762,000
<i>Balance of revenue (expenses)</i>	<i>4,658,000</i>	<i>(941,000)</i>
Provision for (recovery of) income taxes relating thereto (note 4)	333,000	(1,201,000)
<i>Balance of revenue after income taxes</i>	<i>4,325,000</i>	<i>260,000</i>
Appropriation for losses	4,300,000	245,000
<i>Balance of profits for the period</i>	<i>25,000</i>	<i>15,000</i>
Undivided profits at beginning of period	15,000	–
Undivided profits at end of period	40,000	15,000

**STATEMENT OF ACCUMULATED
APPROPRIATIONS FOR LOSSES**
*For the year ended
October 31, 1980*

	1980 Dollars	1979 Dollars
<i>Accumulated appropriations at beginning of period</i>		
General	1,353,000	–
Tax-paid	(500,000)	–
Total	853,000	–
<i>Additions (deductions) during the period</i>		
Appropriation from current period's operations	4,300,000	245,000
Loss experience on loans for the period, less provision included in other operating expenses	(2,197,000)	869,000
Provision to reduce other securities to values not exceeding market	(500,000)	(500,000)
Reduction of future income taxes relating to appropriation from current period's operations	4,300,000	239,000
Total	6,756,000	853,000
<i>Accumulated appropriations at end of period –</i>		
General	7,756,000	1,353,000
Tax-paid	(1,000,000)	(500,000)
Total	6,756,000	853,000

STATEMENT OF REST ACCOUNT
*For the year ended
October 31, 1980*

	1980 Dollars	1979 Dollars
Balance at beginning of period	50,000,000	–
Capital contributed by shareholder during the period	–	50,000,000
Balance at end of period	50,000,000	50,000,000

NOTES TO FINANCIAL
STATEMENTSFor the year ended
October 31, 1980*1) Incorporation*

The Bank was incorporated by an Act of Parliament on July 14, 1977. The Bank issued 5 million common shares, having a par value of \$10 each to IAC Limited for \$50,000,000 cash. In addition, IAC made a contribution of \$50,000,000 to the Bank which amount is reflected in the Statement of Rest Account.

On June 15, 1978 the Bank obtained approval to commence business. It commenced banking operations on June 4, 1979. The comparative figures in these financial statements include investment income of the Bank from April 3, 1978 and the results of its banking operations from June 4, 1979 to October 31, 1979.

2) Significant Accounting Policies

The Bank Act and the regulations thereunder prescribed by the Minister of Finance stipulate the form and content of the Bank's financial statements.

a) Securities

Securities issued or guaranteed by Canada are recorded at amortized cost. Other securities held in the Bank's investment account are classified according to prescribed categories with each category carried at the lower of cost and market.

Profits and losses on disposals and adjustments to market of securities held in the Bank's investment account are reported in the Statement of Accumulated Appropriations for Losses.

b) Loans

Loans include accrued interest and are stated net of any unearned income and any specific provisions established to recognize anticipated losses.

A new bank in its second year of operation, lacking five years of actual experience, is required to compute a provision for losses as the amount which is obtained by dividing its cumulative loss experience

in respect of loans to the end of the current financial year by the number of elapsed financial years since inception plus one.

c) Accumulated appropriations for losses

In addition to the provision for losses included in "other operating expenses," an appropriation for losses may be made from balance of revenue at each year-end to provide for losses not yet known which may be incurred on realization of existing loans together with possible losses on securities and other assets.

d) Translation of foreign currencies

Assets and liabilities in foreign currency are translated to Canadian funds at current exchange rates. Exchange gains and losses, both realized and unrealized, are included in the Statement of Revenue and Expenses. Transaction gains and losses on foreign currency positions held in the Bank's trading account are also reflected in the Statement of Revenue and Expenses.

e) Bank premises

Bank premises are depreciated over their estimated useful lives using the diminishing balance method for equipment and the straight-line method for leasehold improvements.

3) Relationship with IAC Limited

The Bank is a wholly-owned subsidiary of IAC Limited. Pursuant to conditions set out in its incorporating statute, the Bank and IAC are required to amalgamate on or before July 14, 1987.

The Act incorporating the Bank restricts the activities of IAC and its subsidiaries, other than the Bank, to activities which are not considered to be eligible banking activities, although IAC and its subsidiaries may acquire eligible assets from the Bank subject to certain restrictions.

The Bank, IAC and other subsidiaries of IAC are parties to several agreements affecting their activities, the most significant of which relate to the following:

a) Cost sharing

The agreement provides for the allocation of certain common operating expenses among the various parties. The Bank's share of such expenses is included in the Statement of Revenue and Expenses.

b) Guarantee by IAC Limited

All indebtedness of the Bank is and will be, until the amalgamation of the Bank and IAC Limited, unconditionally guaranteed by IAC.

c) Pension Plan

All employees of IAC became employees of the Bank when the Bank commenced operations in 1979. Therefore the IAC pension fund became the Continental Bank of Canada Pension Fund. The Bank's policy is to fund pension costs as accrued and based on actuarial valuations done every three years. As at December 31, 1977, the date of the last actuarial valuation of the fund, the past service liability was fully funded.

In contemplation of the amalgamation of the Bank and IAC, there are a number of dealings other than those described above. In this transitional period, certain of these dealings are on terms which would not prevail in transactions with non-related third parties.

4) Provision for Income Taxes

The provision relating to the balance of revenue is less than the amount obtained by applying statutory tax rates because of the inclusion in revenue of non-taxable dividends from Canadian corporations.

5) Controlled Corporation

In September 1980 the Bank subscribed for 999,500 shares at \$5 per share in the capital stock of CBOC Mortgage Corporation. This company has obtained a federal charter to carry out the business of a loan company under the Loan Companies Act. It will commence operations after obtaining a licence from the Department of Insurance.

AUDITORS' REPORT
TO THE SHAREHOLDER
OF CONTINENTAL
BANK OF CANADA

We have examined the Statement of Assets and Liabilities of Continental Bank of Canada as at October 31, 1980 and the Statements of Revenue, Expenses and Undivided Profits, Accumulated Appropriations for Losses and Rest Account for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Bank as at October 31, 1980 and its revenue, expenses, undivided profits and accumulated appropriations for losses for the year then ended.

J. E. Ford, F.C.A.
of Clarkson Gordon

J. A. McClelland, F.C.A.
of Coopers & Lybrand

Toronto, Canada
December 12, 1980

Directors

*Douglas W. Maloney Toronto, Ont. Chairman of the Board	*Adam H. Zimmerman, F.C.A. Toronto, Ont. Executive Vice-President, Noranda Mines Limited	Geno F. Francolini, F.C.A. Tillsonburg, Ont. Vice-Chairman of the Board & Chief Executive Officer, Livingston Industries Limited
*Stanley F. Melloy Toronto, Ont. President & Chief Executive Officer	Allan P. Bolin Toronto, Ont. Executive Vice-President, Corporate Development	Cal N. Moisan Montreal, Que. President & General Manager, SPB Canada (1979) Inc.
*Ronald L. Cliff, C.A. Vancouver, B.C. Chairman, Inland Natural Gas Co. Ltd.	Peter F. Bronfman Toronto, Ont. Chairman, Edper Investments Ltd.	Edmond G. Odette Toronto, Ont. President, Eastern Construction Company Limited
*Jack L. Cockwell Toronto, Ont. Senior Vice-President, Planning Brascan Limited	Stanley D. Clarke Montreal, Que. President, Clarke Transport Canada Inc.	Struan Robertson Halifax, N.S. President & Chief Executive Officer, Maritime Telegraph and Telephone Company Ltd.
*Harold Corrigan, C.A. Montreal, Que. Vice-President Corporate Relations, Alcan Aluminium Limited	George L. Crawford, Q.C. Calgary, Alta. Associate, McLaws & Company	Jacques Tétrault, Q.C. Montreal, Que. Partner, Courtois, Clarkson, Parsons & Tétrault
*John A. Rhind Toronto, Ont. President, Confederation Life Insurance Company	Pierre Des Marais II Montreal, Que. President, Pierre Des Marais Inc.	
*L. Edmond Ricard Montreal, Que. President & Chief Operating Officer, Imasco Limited	William A. Dimma Toronto, Ont. President & Chief Operating Officer A.E. LePage Limited	
*C. Harry Rosier Toronto, Ont. Vice-Chairman of the Board, Abitibi-Price Inc.	J. Peter Foster Toronto, Ont. President & Chief Executive Officer York Russel Inc.	*Member of the Executive Committee of the Board as at October 31, 1980

Officers*

D. W. Maloney Chairman of the Board	S. F. Melloy President & Chief Executive Officer	D. A. Lewis Executive Vice-President & Chief Operating Officer
A. P. Bolin Executive Vice-President Corporate Development	D. A. Rattee Executive Vice-President Operations	S. S. Ilaqua Executive Vice-President Finance and Investments
Senior Vice-Presidents	R. A. Hémond N. V. Keyes	L. R. Woodall
Vice-Presidents J. P. Barratt G. J. Chevrier W. P. Davidson P. A. Dick	N. A. Gow L. G. Gravel I. A. Henderson R. K. Jackson A. L. Lathrop	D. H. Lyons C. A. Marosits W. Smuk J. J. Smyth K. E. Woodall
Secretary	N. A. Gow	
Comptroller & Chief Accountant	B. A. Johnson	*Officers as at January 15, 1981

<i>Bank Credit Lines</i>	<i>Established with the following Canadian banks:</i> The Royal Bank of Canada Bank of Montreal Canadian Imperial Bank of Commerce The Toronto-Dominion Bank The Bank of Nova Scotia National Bank of Canada The Mercantile Bank of Canada Bank of British Columbia <i>Established directly or through their affiliates with the following U.S. banks:</i> Morgan Guaranty Trust Company of New York Bank of America Bankers Trust Company Chemical Bank Citibank, NA Continental Illinois National Bank and Trust Company of Chicago	Crocker National Bank French American Banking Corporation Harris Trust and Savings Bank Irving Trust Company Manufacturers Hanover Trust Company Marine Midland Bank Mellon Bank NA National Bank of Detroit National Bank of North America J. Henry Schroder Bank & Trust Company Seattle-First National Bank Security Pacific National Bank The Bank of New York The Chase Manhattan Bank, NA The First National Bank of Boston The First National Bank of Chicago The Northern Trust Company United California Bank Wells Fargo Bank NA
<i>Transfer Agents</i>	<i>Common Stock</i> Montreal Trust Company Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver The Bank of New York New York	<i>Preferred Stock</i> The Royal Trust Company Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver
<i>Registrars</i>	<i>Common Stock</i> Canada Permanent Trust Company Montreal and Toronto The Royal Trust Company Winnipeg, Regina, Calgary and Vancouver The Bank of New York New York	<i>Preferred Stock \$100 Par Value</i> Montreal Trust Company Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver <i>Preferred Stock \$25 Par Value</i> Guaranty Trust Company of Canada Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver
<i>Auditors</i>	Coopers & Lybrand Toronto, Chartered Accountants	
<i>Stock Listings</i>	Montreal Stock Exchange Toronto Stock Exchange	Vancouver Stock Exchange – Common Stock only

*IAC Limited
Incorporated under the laws of Canada
February 7, 1925
Head Office, 130 Adelaide Street West
Toronto, Ontario M5H 3R2*

*Si vous désirez recevoir un exemplaire
en français du rapport annuel de IAC,
veuillez vous adresser au secrétaire,
IAC Limitée
Place Continentale
130, rue Adelaide ouest
Toronto, Ontario M5H 3R2*

*Project Direction:
George C. McDonald & Associates Limited
Project Design:
Carmen Dunjko & Associates Limited
Printed by:
Plow & Watters Canada Limited
Printed in Canada*



